

answered by the assurance that " the interest of the country bankers should not be neglected in any negotiation between the government and the Bank of England for the renewal of the bank charter." ¹

The extension of country banking, without any legal regulation, was popularly regarded as one of the causes of the panic of 1825 as well as of some of the earlier panics. The issue of small notes by the country banks was treated by eminent statesmen as an especially dangerous feature of country banking and as having a tendency to expel coin from the circulation. Many of these notes were retired by the insolvency of the issuers in the panic of 1825 and the ministry seized the opportunity to propose their prohibition for the future. The} took steps, without waiting for Parliament to act, to prohibit the issue of the required stamps for 1s and £2 notes and the Chancellor of the Exchequer made an early motion in Parliament that no notes be issued in the future under £5. The proposition became law and after a sharp contest was extended in 1828 to Scotch notes circulating in England.³

The approach of the date fixed for the expiration of the bank charter,—at the end of one year's notice after August 1833,—led to the appointment of a committee of the House of Commons May 22, 1832, to consider the privileges to be granted in the extended charter. The witnesses examined discussed the propriety of establishing joint stock banks in London (which most of them opposed), the publications of the accounts of the bank, the regulation of the circulation, and the rate of discount. The subject of making the banknotes legal tender except at the bank was also considered and the change was urged upon the ground that the notes could then be used by the country banks in the redemption of their own notes in times of panic and the demand for gold diminished. Lord Althorp moved the resolutions for

¹ Gilbart, L, 70-73.

² The history of Scotch and Irish banking will show that the effort made at this time, to deprive those countries of the use of small notes, was defeated.